



Health Services
LOS ANGELES COUNTY

**Los Angeles County
Board of Supervisors**

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March 09, 2010

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

John F. Schunhoff, Ph.D.
Interim Director

Robert G. Splawn, M.D.
Interim Chief Medical Officer

313 N. Figueroa Street, Suite 912
Los Angeles, CA 90012

Tel: (213) 240-8101
Fax: (213) 481-0503

www.dhs.lacounty.gov

*To improve health
through leadership,
service and education.*

**APPROVAL OF TWO REVENUE RECOVERY SERVICES AGREEMENT
AMENDMENTS WITH COMPSPEC, INC. AND HEALTH ADVOCATES, LLC
(ALL DISTRICTS)
(3 VOTES)**

SUBJECT

Request approval to extend the term of two revenue recovery services agreements with Compspec, Inc., and Health Advocates, LLC for Medi-Cal Resource Development and Recovery Services.

IT IS RECOMMENDED THAT YOUR BOARD:

Authorize the Interim Director of Health Services, or his designee, to execute Amendment No. 4 to Agreement No. H-700690 with CompSpec, Inc. (CompSpec) and Amendment No. 5 to Agreement No. H-700691 with Health Advocates, LLC (Health Advocates), each effective upon execution to extend the term of both Agreements, for the period April 1, 2010 through December 31, 2010 for the continued provision of Medi-Cal Resource Development and Recovery Services (MRDRS).



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PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommendation will allow the Interim Director of Health Services to execute amendments, substantially similar to Exhibits I and II. CompSpec and Health Advocates act as a safety-net to the Department of Health Services' (DHS) financial screening and Medi-Cal application processing, in order to help ensure that potential third-party revenues (primarily Medi-Cal) are maximized. The current Agreements expire on March 31, 2010.

The additional extension period is necessary to re-solicit for MRDRS. DHS released a Request For Proposals (RFP) for MRDRS in May 2009 and had targeted obtaining your Board's approval of a successor Agreement(s) before the initial August 31, 2009 expiration date of the current two Agreements. However, the proposal evaluation process took longer than initially estimated, as did the extensive negotiations with the two incumbent respondents. DHS was not able to successfully conclude negotiations with the second ranked proposer and therefore planned to recommend a single contract with the top ranked proposer for your Board's approval. The second ranked proposer subsequently filed a Request For a Proposed Contractor Selection Review. Based on DHS's internal review of the protest, it was determined there appears to be ambiguities in the RFP document and therefore, it was determined to be in the County's best interest to cancel the RFP. DHS expects to release a new solicitation in Spring 2010 and return to your Board with recommendations for successor agreement(s) prior to December 31, 2010.

Implementation of Strategic Plan Goals

The recommended action supports Goal 4, Health and Mental Health, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

The two contractors generated approximately \$17.9 million in gross revenue during Fiscal Year (FY) 2008-09, of which approximately \$3.1 million were paid to the contractors in contingency fees. The current contingency fee rates for each contractor will remain the same. Current contingency fee rates for both contractors are \$188 per paid day for Medi-Cal Contract Inpatient Day Collection and 19 percent for all other Third-Party collections including outpatient Medi-Cal, Medicare, Worker's Compensation and third party liability accounts.

Revenue Generated:

CompSpec \$12,100,000; Health Advocates \$5,800,000; Total \$17,900,000

Contingency Fees Paid:

CompSpec \$2,100,000; Health Advocates \$1,000,000; Total \$3,100,000

Fees Paid as a Percentage of Revenue Collected:

CompSpec 17 percent; Health Advocates 17 percent; Total 17 percent

The estimated cost over the term of these amendments is approximately \$2,325,000 based on the pro-ration of the information above.

Funding is included in the DHS FY 2009-10 Final Budget and will be requested for FY 2010-11.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On August 17, 2004, your Board approved agreements with CompSpec and Health Advocates to provide MRDRS to DHS as a result of an RFP process. The agreements were effective from August 17, 2004 through August 31, 2009. MRDRS provides a back-up function to the DHS' financial screening and Medi-Cal application processes to help ensure that potential third-party revenues (primarily Medi-Cal) are maximized. Accounts are referred to the MRDRS contractors only after the efforts of DHS staff have been exhausted.

On July 18, 2006, your Board approved Amendment No. 1 to the Agreements to pursue third party liability payments for which the County has subrogation or reimbursement rights, and include provisions to the Agreements for submitting compromise offers. Amendment No. 2 to the Agreement with Health Advocates was to assign and delegate the rights and responsibilities of the Agreement from Health Advocates, LLP to Health Advocates. Subsequently, your Board approved amendments extending the Agreements through March 31, 2010 in order to complete the RFP process.

In addition to extending the term of these Agreements, the recommended amendments include the Board mandated Default Property Tax provisions.

DHS has determined that the provisions for the Living Wage Program (County Code Chapter 2.201) do not apply to these Agreements, since the services are provided on an as needed basis. Account referrals made to each Contractor fluctuate, and there is no referral guarantees made by the County.

County Counsel has approved Exhibits I and II as to use and form.

CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommendation will ensure that MRDRS will continue to maximize DHS' revenue recovery.

The Honorable Board of Supervisors

3/9/2010

Page 4

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John F. Schunhoff". The signature is fluid and cursive, with a large initial "J" and "S".

JOHN F. SCHUNHOFF, Ph.D.

Interim Director

JFS:skd

Enclosures

c: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors

EXHIBIT I

Contract No. H-700690

MEDI-CAL RESOURCE DEVELOPMENT AND RECOVERY SERVICES AGREEMENT

AMENDMENT NO. 4

THIS AMENDMENT is made and entered into this _____ day
of _____, 2010,

by and between COUNTY OF LOS ANGELES (hereafter
"County"),

and COMPSPEC, INC. (hereafter
"Contractor")..

WHEREAS, reference is made to that certain document entitled
"MEDI-CAL RESOURCE DEVELOPMENT AND RECOVERY SERVICES AGREEMENT",
dated August 17, 2004, and further identified as County Agreement
No. H-700690, and any amendments thereto (all hereafter
"Agreement"); and

WHEREAS, it is the intent of the parties hereto to amend
Agreement to extend its term, and make other hereafter described
changes; and

WHEREAS, said Agreement provides that changes may be made in
the form of a written amendment which is formally approved and
executed by the parties.

NOW, THEREFORE, the parties hereto agree as follows:

1. This Amendment shall be effective on execution.
2. Agreement Paragraph 1, TERM, shall be deleted in its entirety and replaced with the following:

"1. TERM: The term of this Agreement shall be effective August 17, 2004 and shall continue, unless sooner terminated or canceled, in full force and effect to and including midnight December 31, 2010. This Agreement, and the particular services specified within the Agreement, may be canceled or terminated at any time by County with or without cause upon the giving of thirty (30) calendar days prior written notice to Contractor.

Notwithstanding any other provision of this Paragraph, the failure of Contractor or its officers, employees, agents, or subcontractors, to comply with any of the terms of this Agreement or any written directions by or on behalf of County issued pursuant hereto shall constitute a material breach hereto, and this Agreement may be terminated by County immediately. County's failure to exercise this right of termination shall not constitute a waiver of such right, which may be exercised at any subsequent time."

3. Agreement Paragraph 36, CONTRACTOR'S WARRANTY OF COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM shall be added as follows:

"36. CONTRACTOR'S WARRANTY OF COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM: Contractor acknowledges that County has established a goal of ensuring that all individuals and businesses that benefit financially from County through contract are current in paying their property tax obligations (secured and unsecured roll) in order to mitigate the economic burden otherwise imposed upon County and its taxpayers.

Unless Contractor qualifies for an exemption or exclusion, Contractor warrants and certifies that to the best of its knowledge it is now in compliance, and during the term of this contract will maintain compliance, with Los Angeles Code Chapter 2.206."

4. Agreement Paragraph 37, TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM shall be added as follows:

"37. TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM: Failure of Contractor to maintain compliance with the requirements set forth in Paragraph 36 - Contractor's Warranty of Compliance with County's Defaulted Property Tax Reduction Program shall constitute default under this Agreement. Without limiting the rights and remedies available to

County under any other provision of this Agreement, failure of Contractor to cure such default within 10 days of notice shall be grounds upon which County may terminate this Agreement and/or pursue debarment of Contractor, pursuant to County Code Chapter 2.206."

5. Exhibit A (Statement of Work), Paragraph 12, SPECIAL ACCOUNTS, shall be added as follows:

"12. SPECIAL ACCOUNTS: County may designate accounts for processing based on County and Contractor mutually agreeing to established protocols or by referral of accounts as "Special" Accounts. Contingent fees on these accounts shall be set by the Director with the written approval of the Contractor, but shall be equal to or reduced from the contingent fees on regularly referred accounts. These Special Accounts shall be subject to the terms and conditions set forth in the agreement, with any exception or additional terms set forth in writing by the Director. The written approval of reduced contingent fees by the Contractor for any and all Special Accounts shall become part of the Agreement."

6. Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its Director of Health Services, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
John F. Schunhoff, Ph.D.
Interim Director

COMPSPEC. INC
Contractor

By _____
Signature

Print Name

Title _____

APPROVED AS TO FORM

Andrea Ordin, County Counsel

EXHIBIT II

Contract No. H-700691

MEDI-CAL RESOURCE DEVELOPMENT AND RECOVERY SERVICES AGREEMENT

AMENDMENT NO. 5

THIS AMENDMENT is made and entered into this _____ day
of _____, 2010,

by and between COUNTY OF LOS ANGELES (hereafter
"County"),
and HEALTH ADVOCATES, LLC (hereafter
"Contractor").

WHEREAS, reference is made to that certain document entitled
"MEDI-CAL RESOURCE DEVELOPMENT AND RECOVERY SERVICES AGREEMENT",
dated August 17, 2004, and further identified as County Agreement
No. H-700691, and any amendments thereto (all hereafter
"Agreement"); and

WHEREAS, it is the intent of the parties hereto to amend
Agreement to extend its term, and make other hereafter described
changes; and

WHEREAS, said Agreement provides that changes may be made in
the form of a written amendment which is formally approved and
executed by the parties.

NOW, THEREFORE, the parties hereto agree as follows:

1. This Amendment shall be effective on execution.
2. Agreement Paragraph 1, TERM, shall be deleted in its entirety and replaced with the following:

"1. TERM: The term of this Agreement shall be effective August 17, 2004 and shall continue, unless sooner terminated or canceled, in full force and effect to and including midnight December 31, 2010. This Agreement, and the particular services specified within the Agreement, may be canceled or terminated at any time by County with or without cause upon the giving of thirty (30) calendar days prior written notice to Contractor.

Notwithstanding any other provision of this Paragraph, the failure of Contractor or its officers, employees, agents, or subcontractors, to comply with any of the terms of this Agreement or any written directions by or on behalf of County issued pursuant hereto shall constitute a material breach hereto, and this Agreement may be terminated by County immediately. County's failure to exercise this right of termination shall not constitute a waiver of such right, which may be exercised at any subsequent time."

3. Agreement Paragraph 36, CONTRACTOR'S WARRANTY OF COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM shall be added as follows:

"36. CONTRACTOR'S WARRANTY OF COMPLIANCE WITH COUNTY'S
DEFAULTED PROPERTY TAX REDUCTION PROGRAM: Contractor
acknowledges that County has established a goal of ensuring
that all individuals and businesses that benefit financially
from County through contract are current in paying their
property tax obligations (secured and unsecured roll) in
order to mitigate the economic burden otherwise imposed upon
County and its taxpayers.

Unless Contractor qualifies for an exemption or exclusion,
Contractor warrants and certifies that to the best of its
knowledge it is now in compliance, and during the term of
this contract will maintain compliance, with Los Angeles Code
Chapter 2.206."

4. Agreement Paragraph 37, TERMINATION FOR BREACH OF WARRANTY
TO MAINTAIN COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX
REDUCTION PROGRAM shall be added as follows:

"37. TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE
WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM: Failure
of Contractor to maintain compliance with the requirements
set forth in Paragraph 36 - Contractor's Warranty of
Compliance with County's Defaulted Property Tax Reduction
Program shall constitute default under this Agreement.
Without limiting the rights and remedies available to

County under any other provision of this Agreement, failure of Contractor to cure such default within 10 days of notice shall be grounds upon which County may terminate this Agreement and/or pursue debarment of Contractor, pursuant to County Code Chapter 2.206."

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6. Except for the changes set forth hereinabove, Agreement shall not be changed in any respect by this Amendment.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by its Director of Health Services, and Contractor has caused this Amendment to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
John F. Schunhoff, Ph.D.
Interim Director

HEALTH ADVOCATES, LLC
Contractor

By _____
Signature

Print Name

Title_____

APPROVED AS TO FORM

Andrea Ordin, County Counsel